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August 30, 1999

Amazon Tries to Ease Privacy Worries

By DAVID F. GALLAGHER

A [mazon.com](#) is trying to stem controversy over a new marketing tactic that uses personal data about its 10.7 million customers to compile online lists of books and music that people they live near, or work with, are buying.

After critics raised privacy concerns late last week, Amazon.com said that it would adjust the program by letting customers request that their buying habits not be included in the "purchase circles," as the listings are known.

But the controversy underscored the growing tension between sales goals and personal privacy in the new world of online commerce.

"We're doing things that have never been done before," Paul Capelli, an Amazon.com spokesman said, after the company agreed to let consumers opt out of the purchase circle program. "We use our customers to help us evolve."

The purchase circles, which Amazon.com introduced on Aug. 20, comprise thousands of best-seller lists that enable customers to browse and see what books, music and videos are popular among various groups of people -- by categories that include geography, employer, university or professional organization.

Amazon.com customers from New York City, according to a listing last Friday, were buying up copies of Kurt Andersen's novel "Turn of the Century," for example. U.S. Navy buyers were ordering many copies of

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Cher's "Believe" compact disk. And Amazon.com shoppers logging in from Merrill Lynch & Co. tended to select the video "Tae-Bo Workout: Instructional and Basic."

Online Privacy

To generate the lists, Amazon mines the data that all of its customers provide when they shop: a shipping address, an e-mail address and the list of items bought. The shipping addresses let it create its best-seller lists based on geographic areas like towns or foreign countries. Using the Internet domain name in the e-mail address, Amazon can often identify a customer's employer or college, for example.

The lists give no actual sales figures. Nor do the purchase circles identify individual buyers, even though Amazon.com's data base is capable of doing so. Amazon said these rankings of "uniquely best-selling" products -- titles that are more popular with a particular group than among its customers generally -- are simply meant as a way to let browsers know the buying preferences of people with whom they might have something else in common, or about whom they might simply be curious.

Amazon and other online retailers have long offered recommendations generated by software that analyzes buying patterns, letting a customer know that people who bought the same R.E.M. and Miles Davis CD's also tend to like Liz Phair, for instance. The drawback to such referrals is that a customer knows very little else about who those other customers are.

So Amazon came up with preference circles as a way to give a customer a stronger sense of common cause with fellow shoppers. The premise is that peer pressure might make the lists more effective as a sales tool than a generic list that reflects the buying habits of the entire country. Amazon said the preference circle lists would be updated weekly or monthly, depending on the size of the group. Customers can sign up to have new lists e-mailed to them.

Whatever Amazon.com's motives, once word began circulating last week of Amazon.com's new program, privacy-rights advocates began sounding alarms.

"An awful lot of people, including myself, purchase books using their own money but using the e-mail address that's assigned to them by their company," said Beth Givens, director of the Privacy Rights Clearinghouse, a nonprofit organization in San Diego. Ms. Givens said she would not want one of her own recent book purchases to show up on a list that might appear to be endorsed by her organization.

The privacy policy on Amazon's site says the company does not

disclose information about individual customers or their purchases to outside parties. But the policy statement also says that the company reserves the right to do so in the future. Amazon.com, however, allows customers to indicate by e-mail that they never want their information released.

"We are continuing to look at ways that we can take this data and reapply it back to Amazon.com in a way that is fun and interactive, but is done in a way that our customers are comfortable with," Capelli said. "We would never do anything that would compromise or call into question individuals' confidentiality for items they have purchased."

Corporate confidentiality is a separate issue from individual rights. When Amazon's computers zoom in on purchasing quirks at a specific company, the results could end up revealing more than Amazon's customers might like, since the lists are available to any curious or nosy outsider.

Take, for example, Levi Strauss & Co., which has been trying to make its classic jeans brand hip again. Amazon's [purchase circle listing for Levi](#) says that employees at the company have been busily ordering the books "Strategic Brand Management," "Building Strong Brands" and "Street Trends: How Today's Alternative Youth Cultures Are Creating Tomorrow's Mainstream Markets."

Jeff Beckman, a spokesman for Levi Strauss, said company officials would not comment on the Amazon list because, "as you know, we're intently focused on revitalizing the brands here."

The Levi book purchases simply confirmed what outsiders already knew about the company's hot buttons. But critics wondered what clues outsiders might glean about the internal issues of a company if its book list revealed heavy purchases of titles about international expansion, say, or finding a new job.

Online sales data can tell a lot about a specific group.

Anita Allen, a professor at the University of Pennsylvania Law School and co-author of a recent book, "Privacy Law" (West Publishing, 1999), said that "confidential business plans or corporate issues might be

indirectly revealed" by the lists. But she said that Amazon's use of customer data in this way was "disturbing but not necessarily illegal."

There are laws protecting some facets of individual privacy in this area. A federal law prohibiting video stores from releasing movie rental records was passed in 1988 after reporters obtained such records for Robert Bork when he was a Supreme Court nominee.

And most states have similar laws protecting library patrons from disclosure of their book-borrowing habits.

But "things like the Bork law governing video checkouts or library records don't apply when you have information aggregated" for many individuals, Ms. Allen said. And in any case, the privacy laws that would protect individuals in such cases have not been shown to apply to corporations, she said.

Capelli of Amazon said last week that no companies had complained about the purchase circles. But because some people had said that they did not want their purchasing data used for such lists, the company amended its Web site on Thursday, telling customers that they could send an e-mail to have their purchases excluded from the lists. And companies can send faxes on their corporate letterhead requesting that their employee purchasing lists be removed from the site.

Amazon also updated its privacy policy to mention the purchase circles. Customers who never read the privacy policy or visit the purchase circle pages, however, are unlikely to see this opt-out information or know that they have a choice about how their purchasing data are used.

"Certainly the opt-out should appear at the time the individual is making the purchase," said Ms. Givens of the Privacy Rights Clearinghouse.

Capelli said allowing an opt-out at the time of purchase would be "excessive."

Whatever the marketing and privacy implications, the lists do offer an unscientific survey of regional tastes. Outside of major cities like Los Angeles and New York, the lists of best-selling music, for example, are remarkably homogeneous across the country, with artists like Sarah McLachlan and the Dave Matthews Band predominating.

The book lists show more regional variation. A series of novels about an imminent apocalypse by Tim LaHaye and Jerry Jenkins is popular on the charts in Memphis, Tenn.; Wichita, Kan., and Jackson, Miss. But none of those books made it to New York's list, which after Andersen's "Turn of the Century," lists "The Girls' Guide to Hunting and Fishing" by Melissa Bank and "For the Relief of Unbearable Urges" by Nathan Englander. The highest-ranked book in Salt Lake City, meanwhile, is the paperback version of "Secret Ceremonies: A Mormon Woman's Intimate Diary of Marriage and Beyond."

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- [Privacy Rights Clearinghouse](#)
- [Amazon.com: Privacy Policy](#)
- [Amazon.com: Levi Strauss & Co. book purchase circle](#)

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